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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5665  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 1314  
RUEHBY/AMEMBASSY CANBERRA 0144  
RUEHKA/AMEMBASSY DHAKA 4457  
RUEHLO/AMEMBASSY LONDON 1908  
RUEHNE/AMEMBASSY NEW DELHI 3720  
RUEHUL/AMEMBASSY SEOUL 7242  
RUEHTC/AMEMBASSY THE HAGUE 0595  
RUEHKO/AMEMBASSY TOKYO 4816  
RUEHCI/AMCONSUL CALCUTTA 1037  
RUEHCN/AMCONSUL CHENGDU 1036  
RUDKIA/AMCONSUL CHIANG MAI 0826  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHGV/USMISSION GENEVA 3028  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 0679  
RUEHBS/USEU BRUSSELS

UNCLAS SECTION 01 OF 03 RANGOON 000114

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SUBJECT: BURMA: HOW THE WELL-CONNECTED MAKE MONEY

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¶1. (SBU) Summary: Aik Htun acknowledged that his position stems from his comfortable relations with major government and business players built on 30 years of experience working deals through the regime. He denied the widespread allegations connecting him to narcotics trafficking and money laundering. Aik Htun enjoys the regime's confidence, and benefits handsomely from its business. Nevertheless, Aik Htun shared with us many of the same complaints we hear from less well-connected business reps about Burma's poor business climate and its citizens' low purchasing power caused by regime policies. Although he may lose some business opportunities from the GOB's economic mismanagement, he continues to profit from close ties to the SPDC. End summary.

¶2. (U) Aik Htun employs 3,000 workers in multiple companies in the construction, real estate, retail trading, agriculture and concrete sectors, and has profited handsomely from good relations with regime leaders. Signs for his brand of concrete, High Tech, adorn most large construction projects in Rangoon, while his construction company, Olympic, built major projects in Nay Pyi Taw and Rangoon. On January 23, Aik Htun described for econoff his perspective on the current economic climate.

Even Cronies Feel the Pinch

¶3. (U) The move to Nay Pyi Taw caused real estate values and consumer demand in Rangoon to plummet, Aik Htun said. Some of the downturn was offset for his businesses by new contracts for construction services and supplies in the new capital. Massive construction in Nay Pyi Taw created huge demand for his businesses and continues to drive increased sales. Private construction companies bought almost all their concrete for projects in Nay Pyi Taw from Aik Htun's High Tech. When government officials could not obtain

adequate cement from state factories for their own projects in the capital, they also bought from High Tech.

14. (U) Aik Htun imports materials for his concrete from Thailand and Malaysia. High Tech is one of only a few companies granted permits to import cement. He receives preferential treatment in the import process, and said he has experienced no delays or difficulties, either in obtaining an import license from the Trade Policy Council chaired by Vice Senior General Maung Aye, or in customs clearance procedures.

This contrasts sharply with the experiences of less well-connected businesspersons, who complain about routine delays, unpredictability, and corruption in the import license and customs clearance processes.

15. (U) Aik Htun's construction and real estate development firms -- Olympic, Golden Tristar, and Shwe Taung -- built many of the largest projects around Rangoon, including housing complexes, shopping malls, schools, and medical facilities, as well as some buildings in Nay Pyi Taw. He said the government instructed private firms to construct buildings in the new capital but paid very little for the work. He preferred not to build in the new capital, but added that construction firms had no choice but to obey. He told how he lost a great deal of money on an earlier government road project, when the GOB reneged on a commitment to allow builders to charge tolls to recoup their costs. The government plans to build a new highway from Rangoon to Nay Pyi Taw, he said, but will use state-supplied cement. Other builders tell us that construction materials in Nay Pyi Taw are now more expensive than those in Thailand due to high demand.

16. (U) Describing the construction industry overall, Aik Htun said the GOB does not award projects through a tender

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process, but rather, gives contracts to its favored firms, such as Tey Za's Htoo Construction company. While Aik Htun claimed he did not have close personal ties to regime leaders, he has received approvals to develop many prime residential and commercial real estate locations in Rangoon. He said his Rangoon real estate development business slowed considerably after the capital moved to Nay Pyi Taw, and that many firms have halted construction projects until the market turns up again. Purchasing power is low, according to him, and he can sell a 1,000 sq. ft. apartment in one of his buildings for only \$5,000-10,000, when he had expected to offer them for \$20,000 - \$30,000. His trading business, which mostly exports marine products, however, still earns strong profits. He predicted that current economic conditions would continue through 2007, but that the situation might begin to improve in a few years.

17. (SBU) Aik Htun is Chairman of the International Business Promotion Center (IBPC), a group of "the top 50 companies in the country," he claimed. IBPC activities primarily support visiting foreign delegations and the travel of Burmese business delegations to other countries. Relations with Chinese business interests are the most active, he said, through investments, joint ventures, trade and other business deals, and many IBPC members are second and third generation Chinese. Acknowledging this importance, the IBPC 2005 and 2006 Directories listed members' names in both English and Chinese. While many members are leaders in their industry, most are not in Aik Htun's league.

#### Bio Information

18. (U) Aik Htun was born in 1948 in Mine Kaing, southern Shan State. He attended middle school in Mandalay and high school in Rangoon. Although he has been called by some a "shadowy figure who emerged from in the early 1990's from Kokang," Aik Htun said he moved to Rangoon permanently in 1970, and began work as a driver, biscuit shop owner, and tea trader, before he moved into agricultural trade, attracting

investors and traded products between Burma, Thailand and China. In 1991, he established Olympic Company with three other investors and retained 50% ownership. In the beginning, Olympic imported cars and other commodities and exported marine products and timber. The government, however, banned private exports of timber a short time later.

¶9. (U) In the mid-90s, Aik Htun moved into the property development business and constructed many large commercial and residential projects, including the first shopping center in Rangoon and some of its first housing developments. Close ties with the SPDC government were required to gain approval for all large projects, and the regime handed Aik Htun some of the most profitable properties. At the end of 1996, Olympic had invested \$700 million in property development projects, and Aik Htun said he earned substantial returns. Olympic is still considered one of the most successful construction firms in the country.

¶10. (U) With eight other shareholders and approximately \$1 million in capital, he opened Asia Wealth Bank (AWB) in 1995 and become its Vice Chairman. Annual profits rose steadily from \$108,000 in 1995-96, and by 2000-01, AWB was the largest private bank in the country, with profits of \$6.7 million, deposits of \$333 million, and assets worth \$367 million. Suspicious that the bank was laundering proceeds from drug traffickers and organized crime groups in Shan State, US Treasury designated Asia Wealth Bank a "Financial Institution of Primary Money Laundering Concern" in 2003, and cited Aik Htun as "having connections with the narcotics trade". Treasury rules prohibited covered institutions from

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maintaining banking relations with Asia Wealth, and in 2005, the GOB closed the bank for violations of banking regulations. At a November 29, 2006, press conference, Police Chief Khin Yi stated, "though the investigation was unable to discover concrete evidence of money laundering, circumstantial evidence...indicates the possibility, and accordingly...(the bank license) was revoked."

¶11. (SBU) Much speculation surrounds Aik Htun, including claims that has close ties to drug traffickers, who use Olympic to launder money. Some local business representatives believe Aik Htun could not have amassed such profits at AWB without drug money. Law enforcement agencies continue to suspect he was a drug trafficker, despite his claims to the contrary. Others believe he is a front-man for Chinese businessmen, and that AWB provided a comfortable avenue for Chinese investors to enter the Burmese market and earn significant returns.

¶12. (SBU) Aik Htun clearly enjoys the support of SPDC leaders, but does not have the close relationship enjoyed by the most privileged, such as Tey Za. Aik Htun complained about treatment he received from the regime when officials closed AWB and banned most private companies, including his own, from the timber export trade. When asked why some private businesses, e.g., Htoo Trading, continued, Aik Htun said that only very close friends of the regime can export timber now. Despite these setbacks, he has managed to amass a great deal of wealth with GOB backing, and has good access to regime leaders.

¶13. (SBU) Aik Htun meets the criteria in the Presidential Proclamation on Burma that restricts visa issuance. He is annoyed that he is still subject to U.S. provisions, while the EU lifted its visa ban on him when AWB closed. He seeks every opportunity to profess his innocence to Embassy employees. Aik Tun's son, Aung Zaw Naing, and one daughter work in his family businesses. His second daughter studies business. His wife's family has moved to Hong Kong, and his family travels there regularly. He also maintains residences in Rangoon and in his home village in Shan State.

¶14. (SBU) Comment: Business representatives, such as

individual business leaders, the IBPC, and the Myanmar Chamber of Commerce and Industry have no power to influence government policy makers. Rather, it is the close relationships nurtured with regime leaders that allow top firms to dominate the economy as they are awarded coveted construction contracts, export and import licenses, and purchase orders to supply the productive sectors, which are almost entirely controlled by SPDC leaders. End Comment.  
VILLAROSA